

## **The complaint**

Miss N complains that Madison CF UK Limited trading as 118 118 Money recorded a default on her credit file.

## **What happened**

Miss N holds a credit card account and a loan account with 118 118 Money.

In February/March 2024 Miss N experienced a change in her financial circumstances. She contacted 118 118 Money to discuss her options and set up a payment arrangement for 3 months, which was later extended for a further 3 months.

Miss N discovered that a default was applied to her credit card account in June 2024 and to her loan account in July 2024.

Miss N complained to 118 118 Money. She says she wasn't told that she had to clear the arrears whilst she was in the payment plan, or that her accounts could be defaulted whilst she was in a payment plan.

118 118 Money issued a final response on 5 July 2024. It didn't uphold the complaint. It said that Notices of Default were issued on 10 May 2024 and 28 May 2024 for the loan account and the credit card account respectively because both accounts had been in arrears for over 3 months at that time. 118 118 Money said that because the arrears weren't cleared the accounts were correctly defaulted.

Miss N remained unhappy and brought her complaint to this service. She says the defaults have been applied unfairly.

Our investigator didn't uphold the complaint. She said she was satisfied that Miss N had been made aware that being in arrears would impact her credit file, and that she had been given the opportunity to clear the arrears to avoid the accounts being defaulted but was unable to do so. The investigator concluded that the defaults had been fairly applied.

Miss N didn't agree. She said that 118 118 Money hadn't told her that she needed to set up a payment plan to clear the arrears and she felt that she shouldn't have been allowed to extend the payment plan because this had given her a false assurance that her credit file wouldn't be impacted.

## **What I've decided – and why**

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

I've reviewed the account history for both accounts. I've reviewed the information about the payment plan including records of web chats and emails sent to Miss N. I've listened to the available telephone calls. I've also reviewed the Notices of Default and other correspondence which was sent to Miss N. I've also considered the relevant recommendations in relation to when accounts can be defaulted.

The Information Commissioners Office (ICO) guidance says that lenders can default an account if it is between 3 and 6 months in arrears. An account can be in arrears even where there is a payment arrangement in place, and the arrears will increase where the payment arrangement is for less than the monthly minimum repayment.

In this case I can see that Miss N's loan account had been in arrears since February 2024 and the credit card account had been in arrears since March 2024. A Notice of Default was issued for the loan account on 10 May 2024 requiring Miss N to make a payment of £396.23 before 31 May 2024. A Notice of Default was issued for the credit card account on 28 May 2024 requiring Miss N to make a payment of £51.47 before 18 June 2024.

Based on what I've seen, both the loan account and the credit card account had been in arrears for 3 months when the Notices of Default were issued. I'm satisfied that 118 118 Money acted in accordance with the ICO guidance. And because Miss N didn't clear the arrears within the timescale specified in the Notices of Default, I'm unable to say that 118 118 Money made an error by defaulting the accounts and recording the defaults on Miss N's credit file.

All lenders are under an obligation to report accurate information to the credit reference agencies. I'm unable to ask 118 118 Money to amend Miss N's credit file unless there has been an error in the way the default was obtained or reported. In this case, I haven't seen anything to suggest that 118 118 Money made an error.

I've reviewed the chat records and emails. Based on what I've seen, I'm satisfied that 118 118 Money made Miss N aware that – notwithstanding the payment arrangement – she would still receive letters and regulatory notices about her accounts. I'm also satisfied that 118 118 Money advised Miss N in letters that it sent to her about her payment plan that information about her payment plan would be reported to the credit reference agencies and that whilst her account was in arrears, this could have a negative impact on her credit file.

I've also listened to the available telephone calls. In the call dated 31 May 2024, Miss N tells the advisor about the Default Notice she's received for the credit card account. The advisor explains that even though Miss N is in a payment plan, the account can still be defaulted because there were 3 months of arrears and Miss N wasn't able to pay these in full within the timescale set out in the Default Notice.

Taking all the available information into account, I'm unable to say that 118 118 Money has made an error or treated Miss N unfairly or unreasonably. Based on what I've seen, I'm satisfied that Miss N was made aware that her accounts were in arrears and that this would impact on her credit file. Having reviewed the accounts, I'm unable to say that 118 118 made an error when it defaulted the accounts and reported the defaults to the credit reference agencies.

### **My final decision**

My final decision is that I don't uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss N to accept or reject my decision before 9 December 2024.

Emma Davy  
**Ombudsman**